|  |  |
| --- | --- |
| MSU logo.jpg. | MEMO*From the office of the…*Vice-President Finance |
| TO: | Student Representative Assembly  |
| FROM: | Jess Anderson, Vice-President (Finance) |
| SUBJECT: | 2021-2022 Operating and Capital Budgets |
| DATE: | April 1st 2021 |

Dear SRA,

As outlined in Corporate Bylaw 3- Finances, the VP Finance must compile budget requests from all department managers and work with the General Manager and Director of Finance to present an Operating Budget and Capital Budget for the upcoming year. The budget will be officially approved by the incoming Student Representative Assembly (yourselves), and we have already implemented recommendations and received approval from the 2020-2021 Executive Board.

The timeline for this year’s budget process will be the following:

**March 25, 2021:** Executive Board reviews the budgets and provides any recommendations.

**April 1, 2021:** The recommended Operating and Capital Budgets are circulated to MSU Inc.

**April 18, 2021:** MSU Inc. votes on the recommended budget.

Current Year in Review:

Overall, this year has been a difficult one for the MSU. Revenue generation was limited given the restrictions imposed on our business units, and campus more generally, as a result of the COVID-19 pandemic. In response to public safety guidelines, the MSU needed to pause some of service operations such as SWHAT, EFRT (in person responding specifically), our Food & Beverage operations and Compass Information Centre. The remaining services of the MSU were quickly shifted into an entirely online delivery model. Lastly, in some cases, we left positions vacant for the year or reduced team member hours to reflect changes in services operations. In good faith to students, the MSU voluntarily reduced its operating fee by a combined total of 25% across fall 2020 and winter 2021. Fortunately, the MSU has been able to access some of the various government subsidies offered in response to COVID-19. Thus, by the end of the fiscal year, the MSU will partially offset some of fiscal pressure created by our lack of revenue generation.

On a positive note, our investments have performed well to date. If the market maintains growth over our trailing twelve months, the MSU can expect a return of over 10% on our longer-term investments. Our rebounding investment portfolio, in conjunction with the aforementioned salary assistance from the federal government’s relief program, may be enough to offset the losses incurred by our lack of revenue this year. In fact, MSU operations will move closer to a breakeven point by April 30,2021. This is a welcomed improvement compared to our original budget forecast of an almost $320,000 loss.

When planning the 2020-21 budget there were many unknowns. As more details of what the student experience would look like evolved MSU plans, funding models and service delivery all had to pivot. That being said, we expect all funds to perform as approved or better once the 2020-21 fiscal year concludes in six weeks' time.

Uncertainty will once again be the backdrop for the 2021-22 budget. While the MSU has accumulated a reserve in the Operating Fund over the years to weather such fiscal uncertainties, it has been drastically reduced in recent years. This said, the 2021-2022 Operating Budget has been designed to be conservative and allow for a surplus of funds to support any challenges that could arise next year. A potential issue to MSU financial palling includes the provincial government's appeal of its court loss concerning the Student Choice Initiative (SCI). If SCI is reinstated and/or COVID-19 challenges extend for a period of time, MSU fees and revenue would be impacted. I would strongly recommend the budget be reevaluated in the summer months to ensure it reflects the need of the organization for the fall and winter semester.

2021-2022 Operating Budget overview:

Below, I have outlined some key departments/areas of the budget with information I feel will be most pertinent for review over the summer months.

*Food & Beverage:*

TwelvEighty & The Grind have been either closed or catered to very few clients during the past year as a result of COVID– 9 and lack students and staff on campus. As a result, revenue was down but with the assistance of government subsidies we have been able to decrease the loss. The current budget reflects students being on campus to some capacity by September 2021. With the1280-2-Go, the expansion of The Grind, and the streamlining of kitchen and front of house staff, I believe we will see only positive changes in the future. The 2021-2022 budget proposal projects a loss of $67,000 for TwelvEighty. This outcome assumes not all students will be back on campus. TwelvEighty’s fiscal position would improve should the University resume regular operations for September 2021 and/or any continued salary funding from government sources.

Union Market has consistently been self-sufficient and an excellent source of grab-and-go snacks for students, staff, and faculty. Due to COVID-19 we were only able to operate at minimum capacity and operated at a loss. However, with help of government funding, the loss was minimal. Hopefully Union Market can increase its operational capacity during the next school year. In addition, the store will implement a few new ideas and products to help improve the student experience and increase profitability.

Due to the continued financial challenges in our food & beverage operations, the MSU has begun the process of developing a Request for Proposal (RFP) to solicit interest on a partnership with a third party to lead the food and beverage operations on behalf of the MSU. The goal would be to continue to provide a great student experience, while providing student employment and mitigate departmental losses.

*Silhouette:*

The Silhouette was greatly impacted by the COVID-19 pandemic and the shift to predominantly online service delivery. The proposed budget continues the monthly print schedule during the academic year (fall & winter semesters), with enough funds available for a maximum of two print issues during the summer term, at the discretion of the Silhouette Board of Publication. There is also an increase in the anticipated advertising sales revenue to reflect the updated Silhouette website, creating a more marketable digital space to drive advertising sales.

*Underground Media & Design:*

With plans to hire a full staff compliment at the Underground in the coming months, we anticipate next year to be a better year financially, assuming we operate with students on campus to some capacity. As such, the anticipated loss for the service is $48,000. If we continue to receive government assistance due to Covid-19 and if we resume classes on campus at full capacity the loss could significantly decrease. The Underground plans to increase its marketing strategies to continue to engage and draw students in and The Underground also plans to increase its external client base as it currently relies too heavily on MSU services.

*Part-time led Services:*

For the part-time led services, this past year’s extreme circumstances serve as a poor model on which to base budget recommendations moving forward. Therefore, Most services’ budgets are set to remain the same for the 2021-2022 year, with some minor adjustments. As approved by the Executive Board, PCC, SHEC, WGEN, Spark, and Maccess will have a paid Assistant Director (AD) position added next year. Subsequently, Director job descriptions have been amended & re-graded. They are now more accurately, considering the incoming additional paid, part-time Assistant Director. Adding AD should offset some of the responsibilities from the Director to help better share the workload and ameliorate service operations. Additionally, as Diversity Services will offer peer support services next year, we have added a budget line for Training Expenses. This is in line with all MSU peer support services, to ensure there are funds available to help effectively train volunteers.

*Advocacy:*

For many years the Advocacy/Education Team was included within the Executive departmental budget. However, this past year was the first in which we operated the Advocacy/Education team out of their own departmental budget. The change worked very well this year. The only addition to the next fiscal year is an allocation of $2,500 to the Election Awareness line. There is a potential for a federal election within the 2021-2022 academic year. This will help support the “Mac Votes” campaign to encourage students to get out and vote.

*Compass Information Centre:*

Compass was closed to walk-up service during this fiscal year. Compass does support the administration of the HSR bus pass, and as such received revenues to support operational costs. We expect this to continue for the foreseeable future and there will be further discussions outside the budget approval process to develop a direction.

*Health, Dental & Student Assistance Plan:*

This year, once again we will be able to reduce the Health Plan fee. The fee will be $101.00 for the period of September 2021 through August 2022, reduced from $103.00 this year. We have seen an increase in claims relative to the premium. We are in negotiations with our provider on what that will mean in the years to come. Ideally students will not see increased costs of a future plan, as we have healthy reserves to support higher utilization of the plan.

The Dental Plan premium has increased by $1 to $130.00 per student. Please note that students will of course be able to opt-out of their health and/or dental premiums, should they already have existing coverage. Lastly, during the summer months, I recommend we evaluate the success of the Student Assistance Plan (SAP) to see if there are support services that better meet the needs of students.

2021-2022 Capital Budget Overview:

The process for Capital purchases is outlined in Bylaw 3 (11). Approval of this budget does not necessitate the expenditure but rather allows for the allocation if capital expenses.

As an overview, below is a highlight of some of the funds allocated for the Capital Budget.

* **Administration:** Replacement for computers (occurs on a multi-year cycle).
* **Child Care Centre**: new commercial dishwasher
* **Campus Events:** Video laptop (to support live streamed events), audio/video USB interface to connect to a computer & live stream audio support/recording equipment (to increase live stream services).
* **Underground Media & Design:** IMac computer (to replace outdated computer & switch from PC to Mac), POS system update, replacement for monitors for the Campus Screen Network (3 screens)
* **Marketing & Communications:** Camera body for video and photos, camera stabilizer, camera lighting and production equipment
* **CFMU Inc.** Laptop (to replace damaged/broken laptop), new CFMU website (to upgrade the existing five-year-old site)

Beyond the approval of the budget, there are other items of which members of the corporation should be aware. Ideally, these items can be discussed in the coming months by the 2021-22 SRA, Board of Directors, and staff.

* **Student Fees** - The Student Choice Initiative is being appealed by the government of Ontario. More details can be found [here](https://www.mccarthy.ca/en/insights/blogs/canadian-appeals-monitor/ontario-governments-student-choice-initiative-heading-provinces-highest-court) and [here](https://www.queensjournal.ca/story/2021-02-24/news/ford-government-to-appeal-student-choice-initiative-court-ruling-in-march/). If this ruling is overturned, the MSU would potentially need to revert to the optional fee model used in the 2019-20 fiscal year. In that case, we should expect an additional reduction of 20-25% of revenues based on our 2019-20 experience.
* **Operating Fund Net Assets** – As of April 2020, the MSU Operating Fund had a reserve of approximately $1.6 million, a decline of approximately $500 thousand from $2.1million in April 2019. This trend is not sustainable, though we are hopeful losses have now plateaued.
* **Future costs associated with the Hub** – We expect the opening of the Hub late into the 2021-22 fiscal year, potentially in-and-around March 2022. Therefore, we can expect programming costs for the Hub to be an additional operating expense in the 2022-23 fiscal year, which should be considered and planned for accordingly during the 021-22 fiscal year.

Thank you for taking the time to review this memo and the proposed budget. I will make myself as accessible as possible to answer any questions that you have in advance of the April 18th, 2021 meeting. Please do not hesitate to email me with questions or we can set up a time to call!

Warm regards,

Jess Anderson

Vice-President (Finance)

vpfinance@msu.mcmaster.ca